

Exhibit 74

**TESTIMONY OF LORI M. REILLY
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**BEFORE THE U.S. SENATE HEALTH, EDUCATION, LABOR AND PENSIONS
COMMITTEE**

October 17, 2017

Chairman Alexander, Ranking Member Murray, and Members of the Committee, thank you for inviting me to participate in today's hearing. Understanding the role the drug delivery system plays in determining what patients pay for medicines is a critical part of the discussion about what can be done to improve patient access and affordability and I appreciate the opportunity to explore this topic with you in depth.

PhRMA represents the country's leading innovative biopharmaceutical research companies, which are devoted to discovering and developing medicines that enable patients to live longer, healthier, and more productive lives. The biopharmaceutical sector is one of the most research-intensive industries in the U.S.: since 2000, PhRMA member companies have invested more than half a trillion dollars in the search for new treatments and cures, including \$65.5 billion in 2016 alone.

Medicines Have Transformed the Treatment of Many Diseases, Helping Patients Live Longer and Healthier Lives

We are in a new era of medicine in which breakthrough science is transforming patient care and enabling us to more effectively treat chronic disease, the biggest cost driver in our health care system. Innovative medicines represent significant scientific advancements that revolutionize the treatment and thus the downstream healthcare costs of complex and costly diseases, such as cancer, hepatitis C, HIV/AIDS, and cardiovascular disease. In this new era of medicine, many diseases previously regarded as deadly are now manageable and even curable. Today, more than 7,000 medicines are in development worldwide, of which 80% have the potential to be first in class and 42% are personalized medicines.¹ Prescription medicines produce unparalleled value and savings for the health care system, preventing or slowing the progression of disease, and reducing the need for more intensive medical care. Continued advances in biopharmaceutical innovation represent the best opportunities to improve health outcomes and control future health care costs.

¹ Long G. The Biopharmaceutical Pipeline: Innovative Therapies in Clinical Development. Analysis Group. 2017; Tufts Center for the Study of Drug Development (CSDD). Personalized Medicine Gains Traction But Still Faces Multiple Challenges. Tufts CSDD Impact Report. 2015;17(3).

sharing for prescriptions filled in the deductible or with coinsurance on undiscounted list prices, rather than on prices that reflect negotiated rebates and discounts. Enrollment in high deductible health plans and use of coinsurance for prescription medicines has grown sharply in recent years, increasingly exposing patients to high out-of-pocket costs based on undiscounted prices, creating scenarios in which medicines appear to be more costly than other health care services. High cost-sharing is a cause for concern, as a substantial body of research clearly demonstrates that increases in out-of-pocket costs are associated with both lower medication adherence and increased abandonment rates, putting patients' ability to stay on needed therapies at risk.³⁵

Over the past 10 years, patient cost-sharing has risen substantially faster than health plan costs. For workers with employer-sponsored health insurance, out-of-pocket spending for deductible and coinsurance payments increased by 230% and 89%, respectively, compared to a 56% increase in payments by health plans.³⁶ Whereas cost-sharing for prescription medicines once consisted almost entirely of copays, use of deductibles and coinsurance has increased rapidly. For example, the share of patient out-of-pocket drug spending represented by coinsurance more than doubled over the past ten years in the commercial market, while the share accounted for by deductibles tripled.³⁷ The growing use of deductibles and coinsurance for prescription medicines creates affordability challenges for many patients. Patients enrolled in high deductible health plans may be asked to pay thousands of dollars out-of-pocket before any of their prescriptions are covered, while patients with coinsurance are responsible for as much as 30% to 40% of the total cost of their medicines.

Due to the growing gap between list and net prices, patients' cost sharing for medicines is increasingly based on prices that do not reflect plan sponsors' actual costs. For example, market analysts report that negotiated discounts and rebates can lower the net price of insulin by up to 50% to 70%, yet health plans require patients with deductibles to pay the full undiscounted price. As a result, a patient in a high-deductible health plan who pays the list price each month for insulin maybe paying hundreds—or even thousands—more annually than their insurer. Analysis by Amundsen Consulting shows that more than half of patients' out-of-pocket spending for

³⁵ IMS Institute for Healthcare Informatics. Emergency and Impact of Pharmacy Deductibles: Implications for Patients in Commercial Health Plans. September 2015; Doshi JA, Li P, Huo H, et al. High Cost Sharing and Specialty Drug Initiation Under Medicare Part D: A Case Study in Patients with Newly Diagnosed Chronic Myeloid Leukemia. *American Journal of Managed Care*. 2016;22(4 Suppl):S78-S86; Brot-Goldberg ZC, Chandra A, Handel BR, et al. What Does A Deductible Do? The Impact of Cost-Sharing on Health Care Prices, Quantities, and Spending Dynamics. NBER Working Paper 21632, October 2015; Eaddy MT, Cook CL, O'Day K, et al. How Patient Cost-Sharing Trends Affect Adherence and Outcomes. *Pharmacy & Therapeutics*. 2012;37(1):45-55.

³⁶ Claxton G, Levitt L, Long M, et al. Increases in Cost-Sharing Payments Have Far Outpaced Wage Growth. Peterson-Kaiser Health System Tracker. October 4, 2017. <https://www.healthsystemtracker.org/brief/increases-in-cost-sharing-payments-have-far-outpaced-wage-growth/#item-start>

³⁷ Claxton G, Levitt L, Long M. Payments for Cost Sharing Increasing Rapidly Over Time. Peterson-Kaiser Health System Tracker. April 2016. <http://www.healthsystemtracker.org/insight/examining-high-prescription-drug-spending-for-people-with-employer-sponsored-health-insurance/>